

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-176
March 2018

FLORIDA KEYS COMMUNITY COLLEGE



Sherrill F. Norman, CPA
Auditor General

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^a Vice Chair position vacant 7-2-16, through 7-24-16.

^b Trustee position vacant from 7-2-16.

The team leader was Elias I. Jaime, CPA, and the supervisor was Hector J. Quevedo, CPA.

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FLORIDA KEYS COMMUNITY COLLEGE

SUMMARY

This operational report of Florida Keys Community College (College) focused on selected College processes and administrative activities and included a follow-up on the finding noted in our report No. 2016-111. Our operational audit disclosed the following:

Finding 1: College textbook affordability policies and procedures could be improved.

Finding 2: The College did not always timely request payments from students with delinquent accounts receivable balances.

Finding 3: The College did not sufficiently document in College records the unique requirements or characteristics that made it essential to exempt the purchase of a field research and diving catamaran from the competitive selection process.

Finding 4: College policies and records supporting College property, facilities, and personal services used by the College direct-support organization (DSO) could be improved.

Finding 5: College policies and procedures for the mitigation, detection, and reporting of fraud could be enhanced.

Finding 6: The College needs to continue efforts to develop and implement a comprehensive security awareness training program.

Finding 7: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

BACKGROUND

Florida Keys Community College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The College President serves as the Executive Officer and the Corporate Secretary of the Board, and is responsible for the operation and administration of the College.

The College has a main campus in Key West. Additionally, credit and noncredit classes are offered through virtual campuses and in public schools throughout Monroe County.

This operational audit focused on selected College processes and administrative activities and included a follow-up on the finding noted in our report No. 2016-111. The results of our financial audit of the College for the fiscal year ended June 30, 2017, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2017, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Textbook Affordability

State law¹ requires the College to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of classes, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the college during the upcoming term. In addition, State law² requires colleges to report to the Chancellor of the Florida College System (FCS) no later than September 30 each year, the number of courses and course sections that were not able to meet the textbook and instructional materials posting deadline for the previous fiscal year. State law³ also requires colleges to obtain confirmation by the course instructor or academic department offering the course, before each textbook and instructional materials adoption is finalized, of the intent to use all items ordered.

College procedures⁴ require, at least 45 days before the first day of classes, that the College adopt textbooks, textbooks be posted on the College's Web site, and instructor confirmations be obtained attesting to the use of all textbooks and other instructional materials ordered. However, the College had not established procedures to ensure that lists of required and recommended textbooks and instructional materials were timely posted as required by State law. The College also had not established procedures to ensure that College records supported the number of courses and course sections reported to the FCS Chancellor, or that course instructors or academic departments confirmed the intent to use all items ordered.

Our examination of College records disclosed that, due to a misunderstanding, on September 28, 2016, the College reported Fall 2016 Semester information to the FCS Chancellor, instead of information for the previous fiscal year. As the Fall 2016 Semester information was reported, we inquired of College personnel and examined College records associated with textbook affordability about that semester. The College offered 240 course sections during the Fall 2016 Semester and our examination of College records and discussions with College personnel disclosed that:

- The College contracted with a vendor to manage and operate the College Bookstore, as well as to compile and post lists of adopted textbooks on the Bookstore Web site. College personnel also indicated that the College posted lists of adopted textbooks and instructional materials required for the Fall 2016 Semester on the College Web site and the vendor had posted textbooks and instructional materials required for the Fall 2016 Semester on the Bookstore Web site. However, the College did not comply with State law by posting the required and recommended textbooks and instructional materials in the course registration system. College personnel indicated that, due to an oversight, the College did not post the textbook information in the current course registration system and, instead, referred students to the lists on the College and the Bookstore Web sites.
- College records did not always demonstrate that textbooks and instructional materials were posted on the College and Bookstore Web sites at least 45 days before the first day of class.

¹ Section 1004.085(6), Florida Statutes.

² Section 1004.085(8), Florida Statutes.

³ Section 1004.085(7)(b), Florida Statutes.

⁴ College Procedure 63.0, *Master Booklist*.

Specifically, the textbook and instructional materials for 25 course sections were posted 19 days after the first day of classes and College records did not evidence the posting dates for 24 other course sections.

- As the College only timely posted the textbooks and instructional materials for 191 (80 percent) of the 240 courses and course sections, the College did not comply with State law requiring such information be timely posted for at least 95 percent of the courses and course sections. Without evidence of the timely posting of textbook and instructional materials information on the College or Bookstore Web sites, the College cannot demonstrate compliance with State law and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options and limit their textbook costs.
- The College reported 136 courses for the Fall 2016 Semester to the FCS Chancellor and that 6 (4 percent) of the courses did not meet the textbook and instructional materials posting deadline. However, in response to our inquiries, College personnel agreed that, because the College calculation excluded consideration of the number of course sections offered, the College incorrectly reported a 96-percent compliance rate, instead of the 80-percent compliance rate we calculated. In addition, College records did not document supervisory review and approval of the information reported to the FCS Chancellor. Such review and approval may have detected that the reported information was not for the prior fiscal year and that the course sections were excluded.
- College records did not always demonstrate the timely completion of instructor textbook confirmations. Specifically, instructor confirmations for 30 selected course sections were not:
 - Completed for 7 course sections. Confirmations for 4 course sections were not completed because, according to College personnel, the course sections were independent studies created after the 45-day deadline for adopting the textbooks. However, our examination of the syllabi for the 4 course sections disclosed that textbooks and other instructional materials were required and, therefore, subject to the confirmation requirements. Confirmations for the other 3 course sections were not completed due to oversights.
 - Timely completed for 2 course sections. According to College personnel, the delays were due to the reorganization of the applicable academic department.

Without timely instructor confirmations, the risk increases that instructors may use textbooks not adopted by their departments and students may unnecessarily purchase books that are not needed for their courses.

Effective procedures to ensure postings are timely, records support FCS Chancellor reports, and instructors or departments properly complete confirmations would promote textbook affordability and compliance with State law.

Recommendation: The College should establish procedures to promote textbook affordability and compliance with State law. Such procedures should ensure that, as early as feasible, but at least 45 days before the first day of classes, the College posts prominently in the course registration system and on the College and Bookstore Web sites, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term. The procedures should also include documented supervisory review and approval to ensure that the information reported to the FCS Chancellor is correct and that instructors and academic departments timely and properly complete required confirmations of the intent to use all items ordered.

Finding 2: Collection Procedures

State law⁵ provides that an FCS institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The law further provides that the Board may adopt rules to implement this process, including setoff procedures, and restrictions on the release of transcripts, awarding diplomas, and access to other College resources and services.

College procedures⁶ require that College personnel attempt collection of student receivables for at least 2 months or through the end of the term in which charges are due. During that period, College personnel must make collection efforts by telephoning the student at least twice and, at least once, e-mailing and sending a letter to the student. Following these collection efforts, College procedures⁷ require that, for accounts with a balance of \$50 or greater, College personnel send an additional letter (30-day notice of collection placement) notifying the student that the outstanding account balance will be referred to a collection agency unless full payment is received or a payment plan is established with the College within 30 days. Upon conclusion of the 30-day period, College personnel refer students with outstanding account balances to a collection agency. Additionally, for indebtedness of matriculation and tuition fees, College procedures⁸ require that a “stop” be placed on the student’s permanent record to prevent the record from being released and the student from registering for subsequent terms.

As part of our audit, from the population of 548 student accounts totaling \$679,967 at December 31, 2016, we examined College records supporting 30 selected student accounts totaling \$188,999. We found that for 6 accounts totaling \$23,886 with balances past due 91 days or more, College records did not evidence that the College’s collection efforts comported with State law and College procedures. Specifically:

- The College did not send a 30-day notice of collection placement to one student with a past due balance totaling \$5,775, place a “stop” on the student’s permanent record, or refer the account to a collection agency.
- For 2 student accounts with past due balances totaling \$5,118, College records did not evidence that the College made at least two telephone calls to one of the students or e-mailed and sent a letter of the charges due to the other student. In addition, the accounts were referred to a collection agency 69 and 84 days, respectively, after the deadline established by the College. In response to our inquiries, College personnel indicated that the College performed the required collection efforts for these 2 student accounts; however, although we requested, College records were not provided to demonstrate all collection efforts.
- The College did not timely refer to a collection agency 2 other student accounts with past due balances totaling \$5,096. The College referred these student accounts to a collection agency 19 and 25 days, respectively, after the deadline established by the College.
- For another student account with a past due balance of \$7,897, the College sent the 30-day notice of collections placement to the student 40 days after the notice was required to be sent and did not refer the account to a collection agency.

⁵ Section 1010.03, Florida Statutes.

⁶ College Procedure No. 21.403, *Invoicing Receivables*.

⁷ College Procedure No. 21.404, *Collection Placement*.

⁸ College Procedure No. 25.0, *Indebtedness*.

According to College personnel, College collection procedures were not followed due to oversights.

Prompt notification to students who have accounts with past due balances, followed by “stops” placed on student permanent records and the timely use of collection agencies could improve collections and reduce the amount of student accounts receivable written off as uncollectible.

Recommendation: The College should ensure that College collection procedures are followed and that timely and appropriate efforts are made to collect all delinquent student accounts.

Finding 3: Competitive Selection

State Board of Education (SBE) rules⁹ and College procedures¹⁰ require the College to publicly solicit competitive offers from at least three sources for purchases exceeding the category three threshold (\$65,000) established in State law,¹¹ unless a purchase is otherwise exempt from this requirement, such as an emergency or sole source purchase. For sole source purchases, College personnel must complete a certification form describing the unique requirements or characteristic inherent in the purchase that made it essential for the competitive selection process to be waived.

Our examination of College records disclosed that the College generally utilized a competitive selection process for the purchase of goods and services. However, we also noted that the College paid \$231,530 to a commercial vessel company for the construction of a field research and diving catamaran without soliciting competitive offers. College records indicate that, before the College authorized the purchase, the College noted that the vendor qualified as a best source vendor because:

- The College required a very shallow draft vessel to allow navigation and mooring in the College lagoon.
- The selected company constructs the best vessel for College needs with an estimated hull draft between 10 to 24 inches depending on the load.
- The selected company owns the proprietary rights to vessel design for this style of diving catamaran.

Notwithstanding these records, although we requested, a certification form was not provided nor were other records provided that described the unique requirements or characteristic inherent in the purchase that made it essential for the competitive selection process to be waived. For example, College records did not describe the reasons why other vessel manufacturers could not meet the vessel specifications or evidence that vessels constructed by other manufacturers were considered. Absent such records, it was not apparent that this purchase qualified as a sole source purchase. Without use of the required competitive selection process or documentation to support an appropriate exemption from the competitive selection process, there is an increased risk that the College may not obtain goods and services at the best price consistent with acceptable quality.

Recommendation: The College should ensure that goods and services are procured using a competitive selection process or sufficiently document in College records a determination that,

⁹ SBE Rule 6A-14.0734, Florida Administrative Code.

¹⁰ College Procedure No. 23.5, *Purchasing Directives & Procedures*.

¹¹ Section 287.017(3), Florida Statutes.

including the reasons why, a purchase is exempt from the competitive selection requirements prescribed by SBE rules and College procedures.

Finding 4: Direct-Support Organizations

To promote accountability over College property, facility, and personal services use, it is important that public records prescribe the conditions for such use, document appropriate approval before the use occurs, and demonstrate appropriate use. Such records help document authorization for the use, demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law¹² provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, a Florida College System institution. Additionally, State law¹³ authorizes the College Board of Trustees (Board) to permit the use of College property, facilities, and personal services by a DSO, and to prescribe by rule any conditions with which a DSO must comply for such use. The Board approved the Florida Keys Educational Foundation, Inc. (Educational Foundation) and Florida Keys College Campus Foundation, Inc. (Campus Foundation) as DSOs. The Educational Foundation routinely receives and uses charitable contributions for the benefit of the College and the Campus Foundation assists the College with acquisition, financing, construction, management, and operation of capital assets. According to College personnel, the Campus Foundation did not use any College property, facilities, or personal services during the 2016 calendar year.

In January 2014, the Board entered into an agreement with the Educational Foundation for the College to employ, evaluate, and compensate the Director of the Educational Foundation as the College deems appropriate, provided that any portion of the Director's compensation that is paid by the Educational Foundation is specifically approved by the Educational Foundation and included in the Foundation's annual budget. In response to our inquiries, College personnel indicated that, during the 2015-16 fiscal year, the Educational Foundation used two College employees to provide certain personal services. Based on the job descriptions of the employees, the services included responsibilities such as fundraising, organization of events, alumni relations, and development of organizational long-term strategy and administrative support. Based on the Educational Foundation's estimates, the percentage of time and effort provided to the Educational Foundation by the two employees was 50 and 52 percent, respectively, and the costs associated with the personal services totaled \$93,091.

College records indicated that the Educational Foundation reimbursed the \$93,091 to the College pursuant to the College's agreement with Educational Foundation and the Educational Foundation's annual budget. However, since the personal services cost reimbursements were based on estimates, and the agreement did not require the Educational Foundation or the College to maintain records documenting the College employees' actual time and effort supporting the personal services costs, the amounts reimbursed to the College may not recover all costs associated with the use of College employees for Educational Foundation purposes.

¹² Section 1004.70(1)(a), Florida Statutes.

¹³ Section 1004.70(3), Florida Statutes.

In addition, we requested for examination College records that demonstrate the Educational Foundation's use of College property and facilities. According to the College agreement with the Educational Foundation, the College may provide in-kind services to the Foundation, such as office space, technology, and utilities, as the College deems appropriate. Additionally, our examination of the Educational Foundation Board meeting minutes disclosed that the Foundation Board meetings take place in the College Board room. However, although we requested, College records were not provided to evidence the extent that College property or facilities were used by the Educational Foundation.

Notwithstanding the information provided by College personnel, College records associated with DSO use of College resources could be improved by prescribing in Board-approved rule any conditions with which the DSOs must comply in order to use College resources. Such rule could prescribe, for example, conditions to:

- Restrict DSO use of College resources to those Board-approved public purposes consistent with the mission, vision, and values of the College.
- Require DSO management to certify that College resources will only be used for Board-approved purposes and to affirm, after use, that the resources were only used for such purposes.

College records could also be enhanced by obtaining Board approval of anticipated DSO use of College resources and the value of such use before the use occurs; documenting DSO use of College resources and the purpose for and value of such use; and documenting College employee actual time and effort provided to the DSO to support the purpose for and value of those services. Such records would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for DSO use.

Recommendation: We recommend that:

- **The Board prescribe by rule any conditions with which the DSOs must comply in order to use College property, facilities, and personal services and the College monitor and document the DSOs compliance with such conditions.**
- **The College document Board consideration and approval of the DSOs anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the positions of the employees who will provide personal services, the square footage of the office space and related buildings that will be used by the DSOs, and the value of such use.**
- **The Board clarify the basis for and amount of any DSO reimbursements in the agreements with the DSOs.**
- **The College document College employee actual time and effort provided to the DSOs to support the purpose for and value of such services and the distribution of applicable personal services costs among specific College and DSO activities for employees who work on more than one activity.**

Finding 5: Anti-Fraud Policy

Appropriate policies and procedures for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. In addition, such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking

appropriate action, reporting evidence of such action to the appropriate authorities, and protecting the reputation of persons suspected but not guilty of fraud.

Board rules¹⁴ and College procedures¹⁵ address, for example, how employees are educated about proper conduct, dishonesty is deterred, potential or actual incidents of fraud are investigated, investigations are to report evidence to the appropriate authorities, fraud is defined, and consequences for fraud violations are identified. While Board rules and College procedures have many positive features, they do not:

- Provide examples of actions constituting fraud.
- Include incident-reporting procedures allowing individuals to anonymously report policy violations and known or suspected fraud.
- Require individuals to communicate and report known or suspected fraud to the Board or College legal counsel if the observed or suspected fraud involves College management.
- Establish procedures for protecting the reputation of persons suspected but not guilty of fraud.
- Require College personnel to maintain accurate records of reported known or suspected fraud.

In response to our inquiries, College personnel indicated that Board rules and College procedures will be revised and presented to the Board for approval. Appropriate anti-fraud rules and procedures promote the communication of potential or actual incidents of fraud and the performance of consistent, timely, and appropriate actions to investigate the incidents reported.

Recommendation: The College should enhance Board rules and College procedures for communicating, investigating, and reporting known or suspected fraud. Such rules and procedures should:

- **Provide examples of actions constituting fraud.**
- **Allow individuals to anonymously report policy violations and known or suspected fraud.**
- **Require individuals to communicate and report known or suspected fraud to the Board or College legal counsel if the observed or suspected fraud involves College management.**
- **Protect the reputation of persons suspected but not guilty of fraud.**
- **Require College personnel to maintain accurate records of reported known or suspected fraud.**

Finding 6: Information Technology – Security Awareness

A comprehensive security awareness training program apprises new employees of, and reemphasizes to other employees, the importance of preserving the confidentiality, integrity, and availability of the data and information technology (IT) resources entrusted to them. Significant nonpublic records (e.g., student records and other records that contain confidential or sensitive information) are included in the data maintained by the College IT system.

Although the College includes information on the importance of protecting information resources and sensitive data in the new employee orientation booklet, the College had not implemented a

¹⁴ Board Rule 2.150, *Fraud*.

¹⁵ College Procedure 22.3, *Fraud Investigation*.

comprehensive security awareness and training program or performed ongoing IT security awareness training for employees who use the College IT system. A comprehensive security awareness and training program could address, for example, acceptable and prohibited methods for the storage and transmission of data, password protection and use, copyright issues, malicious software and virus threats, workstation controls, and the handling of sensitive and confidential information.

In response to our inquiries, College personnel indicated that the College contracted with a continuous threat monitoring service to scan activity and warn of attempts to breach the College IT system. Additionally, College personnel indicated that informal reminders regarding the detection of suspicious e-mails were provided to personnel at meetings; however, the College did not maintain records supporting these discussions or who attended the meetings. College personnel also indicated that efforts in the past have been limited due to short staffing in the IT Department. A comprehensive IT security awareness and training program would enhance employees' understanding of the need to protect College data and IT resources and decrease the risk that College data or IT resources could be unintentionally compromised during the employees' performance of their assigned duties.

Recommendation: The College should continue efforts to implement a comprehensive security awareness and training program for all users of IT resources.

Finding 7: Information Technology – Student Records Access Privileges

The Legislature acknowledges in State law¹⁶ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

The College collects and uses SSNs pursuant to State law for various purposes, such as to register newly enrolled students, comply with Federal tax reporting requirement, and other Federal and State requirements related to financial and academic assistance. According to College personnel and records, the College established a unique identifier, other than the SSN, to identify each student. Designated College officials and personnel are provided with access to student information to perform an administrative, supervisory or instructional responsibility that serve a legitimate educational purpose. College procedures¹⁷ provide for the periodic review of user access privileges to the College IT system that contains student SSNs to determine the propriety of certain privileges; however, this review did not extend to access privileges to student SSNs.

College procedures¹⁸ assign responsibility for the protection of the privacy of student educational and financial aid records to the directors of enrollment services and the financial aid departments, respectively. As of October 30, 2017, the IT system contained SSNs for a total of 69,172 students,

¹⁶ Section 119.071(5)(a), Florida Statutes.

¹⁷ College Procedure 49.18, *Annual User Access Application Review*.

¹⁸ College Procedure 78.10, *Student Records & Vault Procedure*.

including current, former, and prospective students, and 15 employees had access to the student SSNs. As part of our audit, we examined College records supporting access privileges to student SSNs for these 15 College employees and found that:

- 5 of the 15 employees had unnecessary access to student SSNs. Specifically:
 - 2 Human Resources (HR) Department employees had maintenance access to electronic student records that included student SSNs within the College IT system. In response to our inquiry, College personnel indicated that the HR Department employees needed access to an IT system function to create or maintain employee records. However, this function also allowed the HR Department employees to create and maintain student records because the College IT system does not differentiate access to employee records from access to student records. Notwithstanding this explanation, as maintenance of student records is not related to the HR function, College records did not demonstrate why the 2 HR Department employees needed access to student records including SSNs to perform their assigned job responsibilities.
 - 2 Finance Department employees and the Director of Public Safety had read-only access to electronic student records that included student SSNs within the College IT system. The College indicated that the Finance Department employees needed access to student SSNs to assist students in processing their accounts receivable. The College also indicated that the Director of Public Safety needed access to student SSNs to register Institute of Public Safety students. However, since student accounts receivable and registration information can be accessed using College-issued student identification numbers, College records did not demonstrate why these employees needed access to student SSNs to perform their assigned job responsibilities.
- College records were not readily available to demonstrate that these 15 employees needed continuous access to former and prospective student SSNs. In response to our inquiry, College personnel indicated that the College IT system did not have a mechanism to differentiate employee access privileges to current student SSNs from access privileges to former or prospective student SSNs.

In addition, although we requested, College records were not provided to demonstrate the public purpose served by indefinitely maintaining the SSNs of individuals who applied but had not enrolled in the College. The existence of unnecessary access privileges increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against College students.

Recommendation: To ensure access to confidential and sensitive student information is properly safeguarded, the College should:

- **Enhance written procedures to extend the periodic review of user access privileges to include a review of user access to student SSNs, including the SSNs of former and prospective students.**
- **Document the public purpose served by indefinitely maintaining SSNs for individuals who do not enroll in the College. Absent such, the College should discontinue the practice of indefinitely maintaining prospective student SSNs.**
- **Upgrade the College IT system to include mechanisms to differentiate IT user access privileges to:**
 - **Student records from access privileges to employee records.**

- **Current student information from access privileges to former or prospective student information.**

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for the finding included in our report No. 2016-111.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2017 through October 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for the finding included in our report No. 2016-111.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit;

obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of January 2016 through December 2016 and selected College actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed College information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Reviewed College procedures for maintaining and reviewing employee access to IT resources. Specifically, we examined College records for 15 employees with access to the College database and finance and human resources applications during the audit period to determine the appropriateness and necessity of the access privileges based on the employees' job duties and user account functions and whether access prevented the performance of incompatible duties.
- Evaluated College procedures for protecting student social security numbers (SSNs). Specifically, we examined College records supporting the access privileges of the 15 employees who had access to student SSNs to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated College security policies and procedures governing the classification, management, and protection of sensitive and confidential information during the audit period.
- Evaluated the appropriateness of the College's comprehensive IT disaster recovery plan to determine whether it was in place during the audit period and had been recently tested.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a comprehensive IT risk assessment had been developed for the audit period to document the College's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place during the audit period.
- Examined Board of Trustees, committee, and advisory board meeting minutes to determine whether the Trustees' approval was obtained for the policies and procedures in effect during the

audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).

- Examined College records for the audit period to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined College records supporting 13 disbursements totaling \$1 million and made during the audit period by the College to its direct-support organizations (DSOs), to determine whether the transfers were authorized by Sections 1004.70(1)(a)2. and (3), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule the conditions with which the DSOs must comply in order to use College property, facilities, and personal services; the College maintained records to document the value of College property and facilities used by the DSOs and College employee time and effort provided to the DSOs; and the Board documented consideration and approval of anticipated property, facilities, and personal services and related costs provided to the DSOs.
- Determined whether the most recent audits of the College DSOs were completed and filed timely with the Office of the Auditor General, were performed in accordance with generally accepted government auditing standards, and otherwise complied with Rules of the Auditor General Chapter 10.730.
- From the population of 548 student accounts totaling \$679,967 and recorded as of December 2016, examined College records for 30 selected student accounts totaling \$188,999 to determine whether student accounts receivable were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies. In addition, we evaluated whether College collection efforts were adequate and restrictions on student permanent records were appropriate and enforced for students with delinquent accounts.
- Examined College records to determine whether uncollectible accounts written-off during the audit period totaling \$40,643 were properly approved by the Board.
- Reviewed the College's tuition and fees to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- From the population of 1,282 students enrolled as Florida residents during the Spring 2016, Summer 2016, and Fall 2016 Semesters, examined College records for 30 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- Examined the 7 contracts for auxiliary operations, which generated revenues totaling \$41,648 for the audit period, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether College auxiliary services were self-supporting.
- From the population of 240 course sections for the Fall 2016 Semester, examined supporting documentation for 30 selected course sections to determine whether College policies and procedures for textbook affordability complied with Section 1004.085, Florida Statutes.

- From the population of payroll transactions for 343 employees compensated a total of \$8 million during the audit period, selected 30 payroll transactions totaling \$68,053 and examined the related payroll and personnel records to determine the accuracy of the rate of pay, validity of employment contracts, completion of performance evaluations, accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated College policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. Specifically, from the population of 91 employees who separated from College employment during the audit period and were paid \$152,016 for terminal leave, we selected 26 employees who received terminal leave payments totaling \$112,489 and examined the supporting records to evaluate the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined 21 employee contracts to determine whether they contained severance pay provisions that complied with Section 215.425(4), Florida Statutes.
- Examined College records for the College President who received compensation totaling \$192,789 to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated College policies and procedures for obtaining personnel background screenings to determine whether employees in positions of special trust and responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Examined College expense documentation to determine whether the expenses were reasonable, correctly recorded, adequately documented, for a valid College purpose, properly authorized and approved, and in compliance with applicable laws, contract terms, and Board policies; and whether applicable vendors were properly selected and maintained adequate insurance. From the population of expenses totaling \$5.9 million for the audit period, we examined College documentation supporting:
 - 30 selected payments for general expenses totaling \$679,146.
 - 30 selected payments for contractual services totaling \$185,334, including the competitive selection of the vendors.
- From the population of 1,394 purchasing card (P-card) transactions totaling \$304,415 during the audit period, examined College records supporting 35 selected P-card transactions totaling \$47,786 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature. We also determined whether the College promptly canceled the P-cards of the 2 cardholders who separated from College employment during the audit period.
- From the population of \$193,595 in total travel expenses during the audit period, examined 35 selected travel expenses totaling \$37,793 to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 45 payments totaling \$16,679 for the audit period made to employees for other than travel and compensation, examined College records supporting 20 selected payments totaling \$12,293 to determine whether the payments were reasonable, adequately supported, for valid College purposes and whether the payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- Reviewed College records and made inquiries to determine whether the College evaluated the effectiveness and suitability of software applications during the audit period prior to purchase.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each College on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



From the Office of the President

March 26, 2018

Ms. Sherrill Norman, CPA
State of Florida Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Re: Florida Keys Community College's Response to Operational Preliminary and Tentative Audit Findings

Dear Ms. Norman:

Florida Keys Community College has reviewed the preliminary and tentative findings and recommendations in the operational audit. The findings are as follows:

Finding No. 1: College textbook affordability policies and procedures could be improved.

Finding No. 2: The College did not always timely request payments from students with delinquent accounts receivable balances.

Finding No. 3: The College did not sufficiently document in College records the unique requirements or characteristics that made it essential to exempt the purchase of a field research and diving catamaran from the competitive selection process.

Finding No. 4: College policies and records supporting College property, facilities, and personal services used by the College direct-support organization (DSO) could be improved.

Finding No. 5: College policies and procedures for the mitigation, detection, and reporting of fraud could be enhanced.

Finding No. 6: The College needs to continue efforts to develop and implement a comprehensive Security awareness training program.

Finding No. 7: Some unnecessary information technology user access privileges existed that increased the risk the unauthorized disclosure of student social security numbers may occur.

College Response to Finding No. 1:

The College concurs with the finding.

College Response to Finding No. 2:

The College is in agreement with the evidence of findings reported. The Business Office experienced high employee turnover during this period and unfortunately these finding are a direct result of our staffing challenges.

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The Business Office has recently reorganized adding key positions and consolidating part-time positions into full-time staff. In doing so we have a more cohesive approach to collection placement as outlined in our collection procedures. The Account Analyst for accounts receivable works with the Student Account Representative to ensure students are contacted timely, any contact with the student is documented, all possible payment options are presented to the student and outstanding student receivables are turned over for collection timely.

In addition the Assistant Controller will be reviewing our collection policy and procedure by June 30, 2018 to align with the current Business Office staffing, to ensure we are allocating the right effort and using efficiencies in technology to meet the needs of FKCC into the future.

College Response to Finding No. 3:

The College does agree with this finding regarding the lack of sufficient documentation to support the "sole source" purchase of a field research and diving catamaran. However, extensive research was conducted prior to the purchase of the Corinthian catamaran which led to the exclusion of all other options.

Corinthian is a manufacturer of large capacity, shallow draft hulls which is required to navigate the shallow waters surrounding our lagoon. This shallow draft capability exceeds that of all other builders of catamarans hull build to USCG specifications capable of carrying 49 passengers plus crew. There is no other vessel design on the market that matches this carrying capacity for shall depth operating capability.

In addition, based on the specific needs and conditions to operate in the shallows surrounding the College's lagoon, the company further enhanced the design by the addition of jack plates to allow the vessel into the extremely shallow areas necessary to support our teach mission. No competing design available on the market can meet this requirement unless the design is a newly developed option and would be cost prohibitive.

College Response to Finding No. 4:

Given the complexity of what is being recommended by the auditors and the detail oriented nature of the work that will be required to support the activities of any DSO, the board and the College shall require a reasonable amount of time to;

1. Study the recommendations;
2. To investigate appropriate alternatives to effectively implement new procedures, and;
3. Time for the board to consider all options before revising existing rules and create new rules.

College Response to Finding No. 5:

The College revised its fraud policy and procedure in August 2017 to the additional information listed below:

1. Provide examples of actions constituting fraud;
2. Include incident-reporting procedures allowing individuals to anonymously report policy violations or suspected fraud;
3. Required individuals to communicate and report known or suspected fraud to the Board or College legal counsel if the observed or suspected fraud involves a Board member or the President;
4. Establish procedures for protecting the reputation of persons suspected but not guilty of fraud;
5. Require College personnel to maintain accurate records of reported known or suspected fraud;
6. Require College personnel to comply with all applicable laws and regulations.

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College Response to Finding No. 6:

College IT staff have worked on improving IT security over the last year. The College has drafted and implemented a new Information Resource Security responsibilities document that is included in all new hire packages and was sent to all current faculty, staff and administration for completion. The College has also drafted and implemented a new confidentiality statement agreement for all outside vendors with access to IT data or personal identifying information. The College has also approved a new Information Security Program document which is intended as a set of comprehensive guidelines and policies designed to safeguard all sensitive data maintained at the College, and to comply with applicable laws and regulations on the protection of Personal Information, found on records and in systems owned by the College. The College is in the process of designing training activities for all faculty, staff and administration on data security and responsibility. The College is investigating SANS and INFOSEC products for use online for training. The College is also in communications with peer institutions to acquire in person security training for faculty, administration and staff.

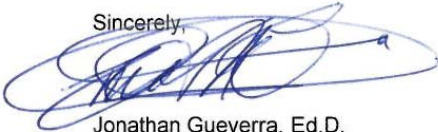
College Response to Finding No. 7:

The college will review and update its current Annual User Access to Banner Application Review Procedure 49.18 to include review of user access to SSN data.

Currently, there is no system upgrade available to include mechanisms to differentiate IT user access privileges to:

1. Student records from access privileges to employee records.
2. Current student information from access privileges to former or prospective student information.

Sincerely,



Jonathan Gueverra, Ed.D.
President/CEO

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